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SUBJECT: VIETNAM ECON HIGHLIGHTS: PM STRESSES ECONOMIC STABILITY,  
PETROVIETNAM POWER GENERATION, IPR ENFORCEMENT

REF: A) Hanoi 1095 ("GVN Economy not Out of the Woods");  
B) Hanoi 1108 (Econ Highlights);  
C) Hanoi 1072 ("Pharma, IPR and Market Access Top TIFA")

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PRIME MINISTER URGES CAUTIOUS ECONOMIC APPROACH IN 09

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11. (U) In his state of the nation address before the National Assembly on October 16, Prime Minister Nguyen Tan Dung vowed to take a cautious approach to resolving the economic challenges of the coming year. Dung began his address by acknowledging that the country's macroeconomic stability was "threatened" by "the unfavorable developments in the world economy, combined with domestic difficulties and weaknesses in management." Restating that controlling inflation remained the Government's "top priority," Dung added that he expected inflation to fall below 15% by 2009 from the current 21.8% (year to date CPI from December 2007). (REF A) The Prime Minister also admitted that Vietnam's "high inflation is mainly the result of inappropriate and ineffective monetary and fiscal policies, and economic and investment structures." A close second priority, he said, was to ensure that the developmental and social gains of the last 20 years are not undone by the economic situation. Although he expressed disappointment at not having met the poverty reduction targets for this year, poverty rates were still expected to continue declining, from 14.28% in 2007 to 13.1% in 2008. (Comment: On October 20, Vietnam loosened monetary policy, indicating that growth concerns are re-emerging (septel). End comment.)

PETROVIETNAM TO TAKE OVER POWER PROJECTS

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12. (U) Faced with increasing power cuts in the steel, coal, textile and energy sectors, State-owned PetroVietnam recently announced that it would take over 38 electricity development projects from the state-run utility company Electricity of Vietnam (EVN). The 38 projects, which would generate 34,000 MW of power annually, are part of the GVN's ambitious bid to add more than 50,000 MW of electricity to Vietnam's grid by 2015. EVN blamed inadequate financing, low domestic power prices, and the increasing cost of inputs as justification why it could not execute the power projects, which will cost more than \$20 billion to carry out. PetroVietnam CEO Tran Ngoc Canh said his company was eager to take over the projects since the oil and gas sector has been affected by ongoing power cuts.

NATIONAL ASSEMBLY LOOKS AT IPR AND TAX REFORMS

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¶3. (U) In its second session of 2008, the National Assembly is expected to legislate important changes to the luxury tax regime (Refs B) and introduce reforms to its Criminal Code to penalize commercial-scale violations of intellectual property rights (IPR) (Ref C), both of which will have a significant impact on U.S. business interests. The legislature will also consider legislation on citizenship, biodiversity, advanced technology, public servants, health insurance, legal civil proceedings, city planning, public debt management, and state compensation, among others.

WAR ON PIRATED GOODS DECLARED, FAKE FERTILIZER PLANT RAIDED  
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¶4. (U) IPR activists announced on October 20 the creation of a new IPR protection organization, the Anti-Counterfeit and Trademark Protection Association. The group was set up by the Hanoi government's Department of Industry and Trade to raise awareness about piracy. Declaring an "all-out war on pirates," the head of the association explained that the group "aimed to protect both consumers and business interests." That same week, the Hanoi Police raided a fertilizer plant and impounded over 1,000 tons of fake fertilizer. According to the authorities, the plant would produce between 20-30 tons daily of a mix of coal, clay, lime powder, and a small amount of authentic fertilizer, which was then sold throughout northern Vietnam under the brand name of NPK.

NEW AIRPORT AT HANOI GIA LAM  
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¶5. (U) The Civil Aviation Administration of Vietnam (CAAV) recently announced that it would spend \$ 17 million to upgrade Hanoi's second airport, Gia Lam, to accept domestic flights and relieve

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overcrowding at the Noi Bai International Airport. The new airport, located on the grounds of an old military airfield in Hanoi's Gia Lam District, is located much closer to Hanoi than Noi Bai, which is a one-hour drive from the city center. In addition to civil aviation, the GVN will continue to use Gia Lam for military flights.

CAAV said the airport would have an annual capacity of 162,000 passengers per year by 2015, with the ability to accommodate ATR 72 or Fokker airplanes. The new airport's runway, at 2-kilometers in length, will not be able to accommodate larger Boeing or Airbus jets.

¶6. (U) This cable was coordinated with Congen Ho Chi Minh City.

MICHALAK